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Select Committee on Economic Affairs

Ontario Trade Review

Interim Report

1st Session 33rd Parliament
34 Elizabeth II



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LEGISLATIVE ASSEMBLY
ASSEMBLÉE LÉGISLATIVE

Queen's Park
October 1985

The Honourable Hugh Edgihoffer, M.P.P.,
Speaker of the Legislative Assembly.

Sir,

Your Select Committee on Economic Affairs has the honour to present its
Report and commends it to the House.

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Chairman

James McGuigan

James McGuigan, M.P.P.
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PREFACE

The Legislature of Ontario authorized the Select Committee on Economic Affairs to examine the issues related to bilateral trade between Canada and the United States and their possible implications for Ontario. In order to fulfill its mandate, the Select Committee on Economic Affairs held hearings in Toronto during July, August, September and early October 1985. The Select Committee also held hearings in Ottawa on August 28 and 29, in Kitchener-Waterloo on September 25 and in Sault Ste. Marie on September 26, 1985. Besides its public hearings, the Select Committee was briefed by officials of the Department of External Affairs in Ottawa. The Select Committee was in Washington, D.C. from September 9 to 13, 1985 and, while there, was briefed by officials of the Canadian Embassy, and held discussions with officials and staff of the United States Congress and Government, as well as some knowledgeable private individuals.

The Select Committee on Economic Affairs wishes to thank the many witnesses who appeared before it. Their presentations exhibited a depth of research and preparation that has made an invaluable contribution to the Committee's understanding of the complex issues involved.

The Committee also wishes to thank the following officials of the Ontario government and their respective support staff who informed the Committee and assisted throughout the deliberations: Mr. G. MacDonell, Deputy Minister of Industry, Trade and Technology; Dr. B. Purchase, Assistant Deputy Minister and Chief Economist, Ministry of Treasury and Economics; Mr. J. Finlay, of the Ministry of Northern Affairs; Mr. K. Armson, of the Ministry of Natural Resources; Dr. C. Switzer, Deputy Minister of Agriculture and Food; and Mr. G. Posen, Deputy Minister of Intergovernmental Affairs.

Officials of the Department of External Affairs Canada provided valuable information and advice to the Committee. The Committee wishes to thank Mr. W. Dymond and Mr. E. Hobson in Ottawa. Ambassador A. Gotlieb, and Counsellors Mr. J. Wright and Mr. J. St. Jacques of the Canadian Embassy in Washington, D.C., hosted the Committee and arranged fruitful discussions with officials of the United States Government. In addition, the Committee thanks

the Congressional Research Service and Ms J. Lindley for their arrangements with the Congress.

Finally, the Select Committee has been ably assisted by its staff and expresses its appreciation of them. The Committee's proceedings and its travels were administered in exemplary fashion by its Clerk, Douglas Arnott. Fernando Traficante, an economist with the Legislative Research Service, performed commendable service as the Committee's research officer; he provided background material and, pursuant to the Committee's instructions, assisted with the drafting of its Interim Report.

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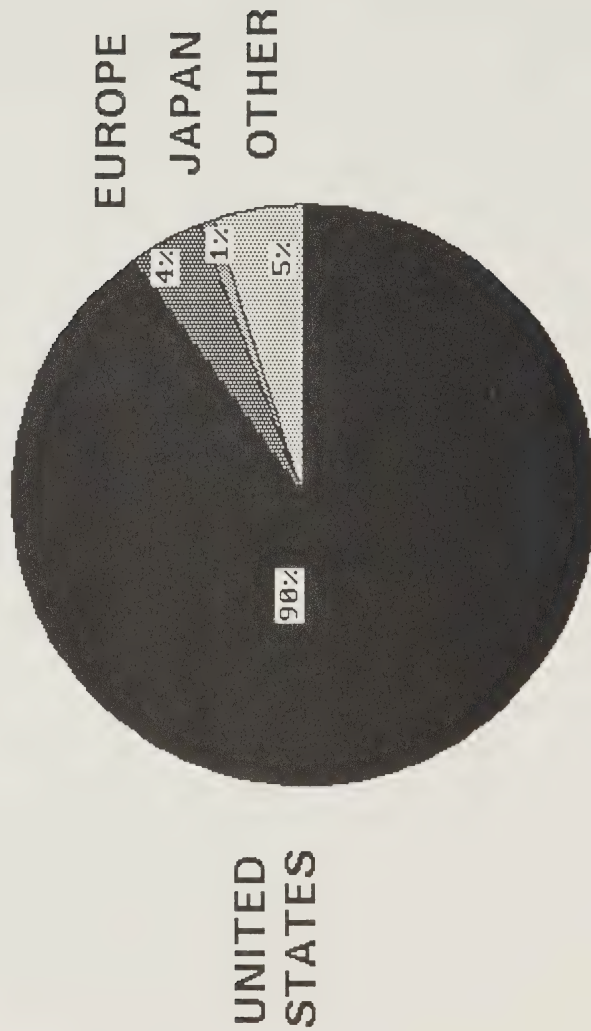
INTRODUCTION

Since the beginning of 1985, the nature of Canada's trading relations with the United States and the rest of the world has continually been under discussion. The Canadian Government has released several discussion papers on the subject. The Special Joint Committee on Canada's International Relations of the Parliament of Canada released an Interim Report which dealt with Canada's trade relations with the United States. On September 26, 1985, Prime Minister Mulroney announced that Canada would begin discussions with the United States on measures to reduce tariff and non-tariff barriers between the two countries.

Ontario has a significant interest in trade. The province's exports on a per capita basis are the highest in the world, above the whole of Canada, West Germany, France, the United Kingdom, Japan and the United States. Exports were about forty percent of Ontario's total output in 1984. Ontario's exports comprised about forty-nine percent of the nation's total exports in 1984; sixty-two percent of Canada's imports went to Ontario in that year. However, the province of Ontario has a growing deficit in its trade balance while Canada as a whole has a strong surplus.

On July 10, 1985, the Legislature of Ontario empowered the Select Committee on Economic Affairs to examine and report on the appropriate bilateral trade options "consistent and pursuant to enhancing Canada's and Ontario's economic development and social-cultural-political advancement." The Select Committee has conducted hearings, examined witnesses, and held discussions with officials of the Ontario, Canadian and United States governments in order to make its deliberations as informed as possible. The following Interim Report to the Ontario Legislature and the recommendations contained are a record of its deliberations and its conclusions to this date. The Select Committee will be continuing its examination of these issues in greater detail during the coming months.

**ONTARIO EXPORT
MARKETS, 1984**



Source: Ministry of Industry, Trade and Technology.

THE TRADE DEBATE

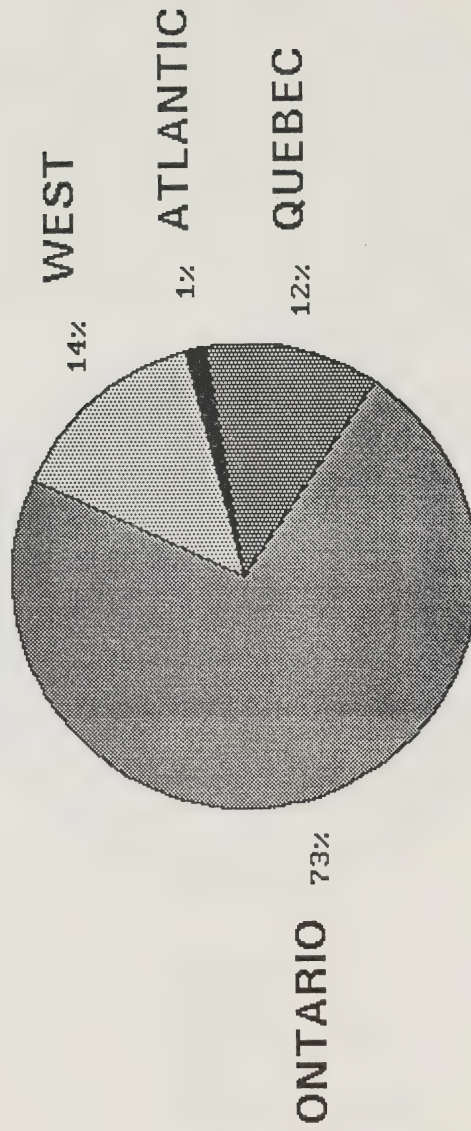
Disputes over the nature of Canada's trading relations have, at times, become acrimonious and difficult. There is a tremendous amount at stake. The early history and development of this country is the story of its changing patterns of trade. As the makeup of Canada's exports expanded and diversified, different parts of the country gained--or lost--the basis for their economic well-being. Distinct parts of Canada produce and export distinctly different products. What they cannot produce is imported, sometimes from other regions of the country, sometimes from other countries.

Canada's production and its exports are divided between natural resources and manufactured goods. All of the provinces depend heavily upon the production and export of natural resources for their wealth and the standard of living of their people. No region of the country has been immune from the effects of the unstable commodity markets of the last decade. Rapid price increases internationally for some commodities, followed by years of depressed prices and volatile currency markets have resulted in an uneven pattern of economic life across the country. Although successive governments, nationally and provincially, have striven to reduce Canada's dependence on changeable commodity markets, many provinces and regions remain natural resource based and rely on export markets.

Canada has built a large and, in some industries, internationally competitive manufacturing sector, which has placed the country among the major industrial nations. However, some industries--both in manufacturing and natural resources--rely on the existence of special protection for their products. These industries are disadvantaged by geographic, climatic and historical factors which are not easily reversed. The divisions in Canada's makeup are unlikely to be resolved by recourse to single-minded or simple solutions. The complex relationships between trade and economic well being, between natural resource and manufacturing industries, and between competitive needs and people's needs for productive, rewarding employment all place pressures on governments to take account of these differences.

This heterogeneous profile of Canada is reproduced in the makeup of Ontario's society and economy. Communities and industries depend upon trade with the

**UNITED STATES
EXPORTS TO CANADA
1984**



Source: Ministry of Industry, Trade and Technology.

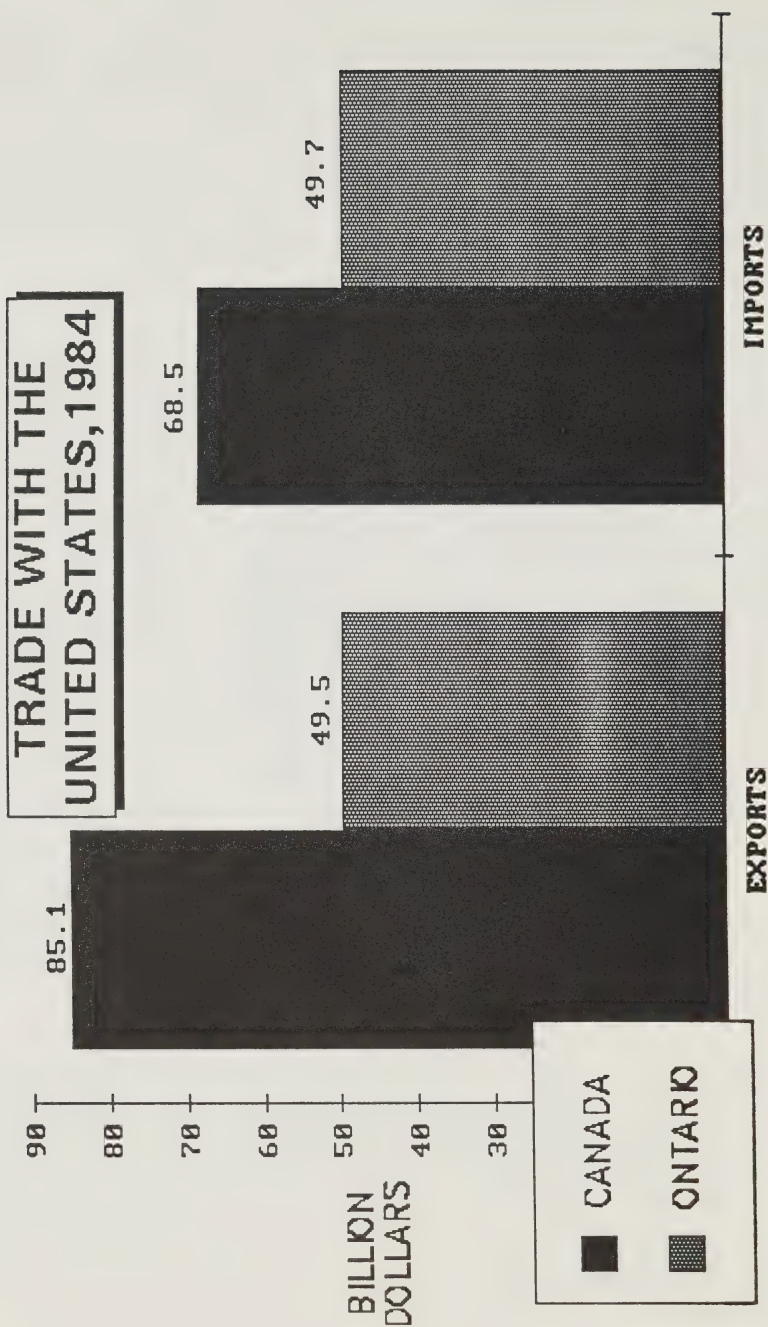
rest of the country. Others are actively involved in importing or exporting internationally. Important segments of the province's economy have been built on trading with the United States. In 1984, the province's exports comprised fifty-eight percent of the value of Canada's exports to the United States and more than seventy-two percent of the nation's imports from there. Ontario-United States trade comprised almost ninety percent of total provincial exports and eighty-three percent of imports.

At the same time, some portions of the provincial economy are relatively insulated from importing or exporting by high tariffs, by regulation, or by special organizational structures. These industries may never be capable of becoming active traders. Nor can they exist without some controls over their domestic market. In many instances, these industries are efficient within the confines of their activity but cannot become competitive internationally due to impediments of geography, climate or access to resources. Attempts to solve Canada's and Ontario's trade difficulties must deal with these kinds of industries in a sympathetic, responsive manner because these industries incorporate communities, people, skills, and social infrastructure that cannot be ignored.

The Select Committee on Economic Affairs believes that the debate over Canada's trading relations needs to be clarified. Considerable confusion has arisen over whether the current debate in Canada is about obtaining a comprehensive bilateral free trade agreement with the United States, obtaining some form of trade enhancement agreement or holding trade discussions in order to deal with existing trade irritants.

As a result of its hearings, the Committee believes that a comprehensive bilateral free trade agreement with the United States is neither achievable nor realistic. This belief is based upon what comprehensive free trade means. The Committee's understanding is that a comprehensive free trade agreement would mean the complete removal of all tariff and non-tariff barriers to trade from all sectors of the economy. Further, it would mean that both countries would have to ensure that no non-tariff barriers be put in place in future.

There are two significant problems with comprehensive free trade. One problem stems from the question of how non-tariff barriers would be dealt



with. Almost any governmental activity affecting the economy--such as industrial subsidies, social programs, regional development assistance and cultural policies--can be defined as a non-tariff barrier. Although non-tariff barriers to trade should be reduced, their elimination is, in fact, impossible. No government can be expected to abrogate its right to use whatever means it sees fit in order to ensure a viable economy for its people. A second problem stems from the "comprehensive" nature of the agreement that some have put forward. The Committee believes that the uniform treatment for all industries in any trade liberalization program is inappropriate. Some industries have special problems or distinct institutional structures that must be accounted for.

Since the Select Committee feels that a comprehensive free trade agreement for Canada and the United States could lead to the weakening of our distinct cultural, social and economic programs, it is not a desirable goal for any trade discussions. This does not mean that there is no scope for expanding trade by removing barriers that restrict trade between countries. There are merits in trade agreements that are as broadly based as possible. But any trade agreements between Canada and other nations that do not deal with the specific differences among the industries and regions in this country may aggravate disparities, and lead to severe economic and social problems.

The body of the Interim Report will deal with the issues that arise from a possible agreement to enhance trade or to establish a mechanism for solving trade irritants.

THE CONTEXT OF TRADE

The Canadian economy has recently come out of the most severe international recession since the Great Depression in the 1930s. Expansion of Canada's exports to the United States, particularly automotive exports, proved to be the impetus which ended the recession here. This fact is not surprising since the United States is both our nearest neighbour and the most significant economy in the world. After more than a decade of instability, an economic recovery that is so tied to the well-being of the United States remains extremely fragile. Since 1982, both Canada and the province of Ontario have improved their merchandise trade balances with the United States, although Ontario's balance remains in deficit. Simultaneously, both the country and the province have experienced a deterioration in trade balances with virtually all other parts of the world. This may be due to changes in relative exchange rates. Canada's products are cheaper in the United States than they were previously while they are more expensive elsewhere. The relatively high United States dollar may be a temporary phenomenon. If so, and if Canada's currency declines relative to countries other than the United States, our trade balances with these other countries could be improved and need not suffer permanent decline. But the continuation of Canada's favourable trade balance with the United States will depend, in large measure, on the relative values of the two currencies.

The General Agreement on Tariffs and Trade (GATT) has been the primary mechanism that nations have used to reduce tariff barriers since 1947. Successive rounds of GATT tariff reductions have been accompanied by dramatic increases in the volume of world trade and by prosperity internationally. The most recent round of tariff reduction agreed to in Tokyo began in 1980 and will be fully in place in 1987. At that time, more than eighty percent of Canada's exports to the United States will be duty free and sixty-five percent of the United States' exports to Canada will be duty free. Although some tariffs of about twenty percent will remain, Canada's overall incidence of tariff will be between four and five percent.

Further tariff reductions using the GATT are likely to be difficult to achieve given the diversity of national interests that are at stake. But it is important that Canadian and provincial governments bear in mind that Canada is an

international trading nation and not simply a North American trading nation. Any potential for expanding our trade with other countries exists only if Canada and Ontario work seriously to enhance our trade with our traditional trading partners and seek to establish firm trade relations with countries that are now beginning to trade. The GATT system of multilateral trade negotiations has proven itself to be a successful forum for dealing with complex trade issues, although the system is often cumbersome and negotiations are often difficult. The greatest potential for diversifying Canada's trade lies with multilateral negotiations under the GATT system. The Committee believes that these negotiations are compatible with trade discussions with the United States.

Recommendations

It is recommended that:

1. The Government of Ontario should encourage the Government of Canada to engage in efforts to reduce impediments to trade internationally through the General Agreement on Tariffs and Trade.
2. The Government of Ontario should make greater efforts to expand and diversify our trading relationships with other countries.

Producing goods for international trade has not been the sole thrust of Canada's economic development. Trade within this country is at least as important. Flows of goods and services are from the east to the west as well as from the west to the east, crossing provinces and regions. Provincial governments have frequently sought to diversify their economies by establishing restraints to the movement of goods and services from other provinces. Many of these restraints are a legitimate exercise of powers provided in the Constitution. Examples of the restraints can be found in provincial content rules for government procurement, in subsidy programs that restrict employment of people from other provinces, and in provincial production rules for the brewing industry. The intention of these programs and policies is to ensure a range of industry within each province. But the frequent consequence has been the development of small producers who are restricted to a limited market. These producers, while they may be efficient within their market, lack the resources to compete internationally.

As tariffs decline with the implementation of the Tokyo Round of GATT, and if tariff and non-tariff barriers internationally are reduced further, Canadian firms restricted to provincial markets will be disadvantaged. The Committee heard from witnesses that significant restructuring must occur within Canada to create efficient international trading companies. The Committee believes that provinces should begin to eliminate their restrictions on goods and services from other provinces. The issue has such potentially serious consequences that, perhaps, Canadian participation in discussions to reduce international trade barriers should be premised on discussions to reduce provincial barriers.

Recommendations

It is recommended that:

3. Interprovincial barriers to trade should be reduced in conjunction with any agreement to reduce barriers between Canada and the United States.
4. Discussions should begin immediately to reduce interprovincial barriers to trade regardless of any bilateral action.

CANADA-UNITED STATES TRADE RELATIONS

The significance of Canada's and Ontario's trading relationships with the United States is so great that people frequently forget the numerous factors that must be kept in balance. Trade is intimately tied into political, social and cultural institutions on both sides of the border. Stable, secure and expanding trade is an important concern for many industries, communities and regions. Although Canada and Ontario are more dependent upon trade with the United States than the United States is with us, many parts of that country rely heavily upon Canadian trade.

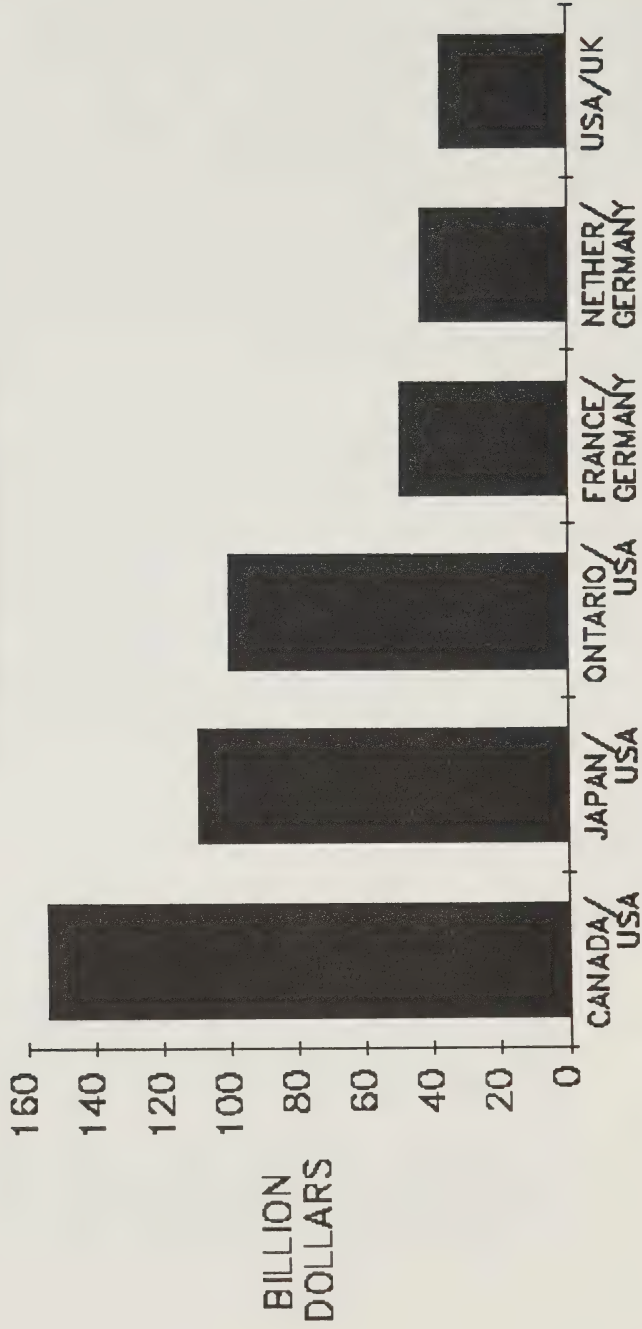
The mutual dependence that exists between our two nations is unique. It cuts across regions, provinces and states. Recent protectionist sentiment in the United States may jeopardize some sectors of our trade with them. Actions by governments on either side of the border that can restrict trade flows are likely to harm the economies of both countries. Actions that improve the political climate for trade are likely to improve the performance of both economies. For this reason, the Committee believes that efforts must be made to respond to concerns expressed in the United States over the fairness of Canada's trading relations.

Recommendations

It is recommended that:

5. Given the Government of Canada's initiative to begin trade discussions with the United States Government, the goal of these talks should be to reduce or eliminate barriers to trade between our two countries in a mutually beneficial manner.
6. Any discussions should be a forum for reinforcing the good trade relationship that has historically existed between Canada and the United States, and for clarifying the fact that Canada has consistently been a fair trader in the United States market.

**VALUE OF TWO-WAY
TRADE, 1984**

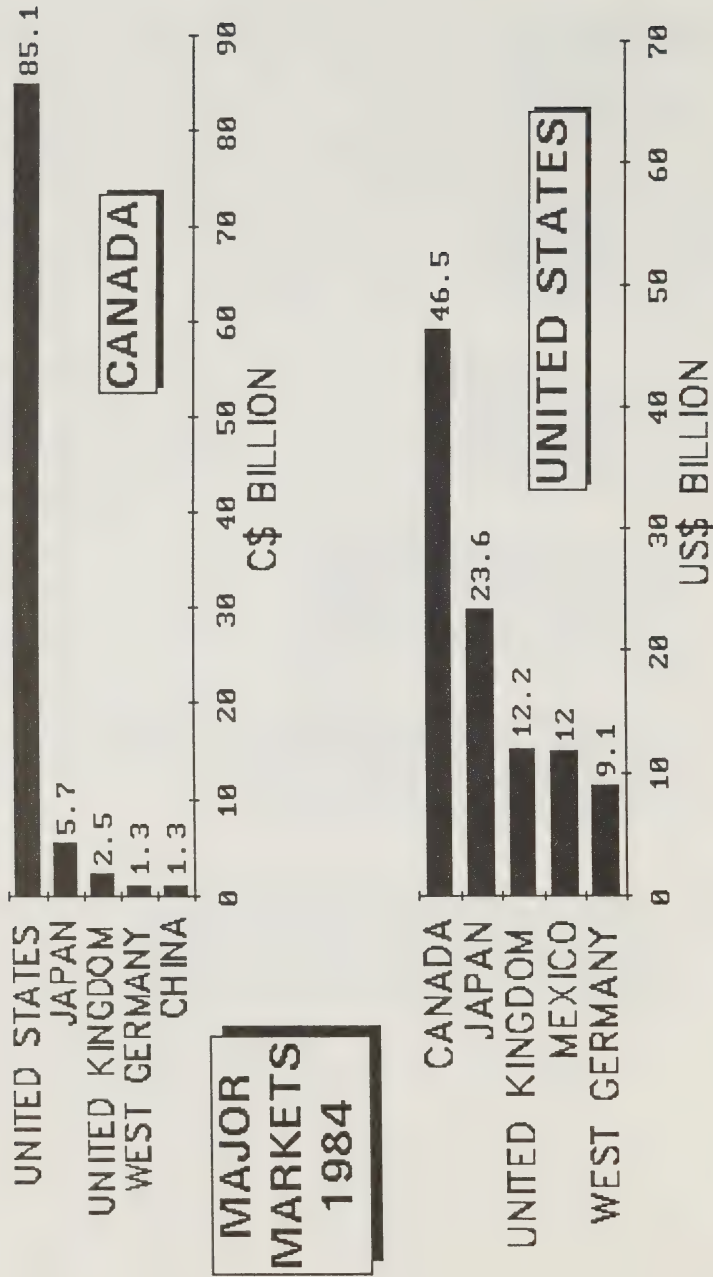


The Canadian federation places the powers of legislation and regulation of important parts of the economy under provincial jurisdiction. Some segments are exclusively under provincial control, such as the distribution of alcoholic beverages and the licensing of professional service activities. Others, such as financial services industries, are under mixed federal-provincial jurisdiction, with each government regulating portions of the industry and sharing regulation of other portions. Any results from trade discussions with the United States are likely to require the implementation of adjustment programs in areas of the economy where provincial governments are presently active. Although the Canadian Government has sole jurisdiction over international trade, provincial participation in trade discussions is required in order to inform the Canadian Government of the provinces' concerns on an ongoing basis, especially over matters where they have constitutional authority.

Recommendation

It is recommended that:

7. The Government of Ontario should be involved in any trade discussion where matters of provincial jurisdiction or interest are under consideration.



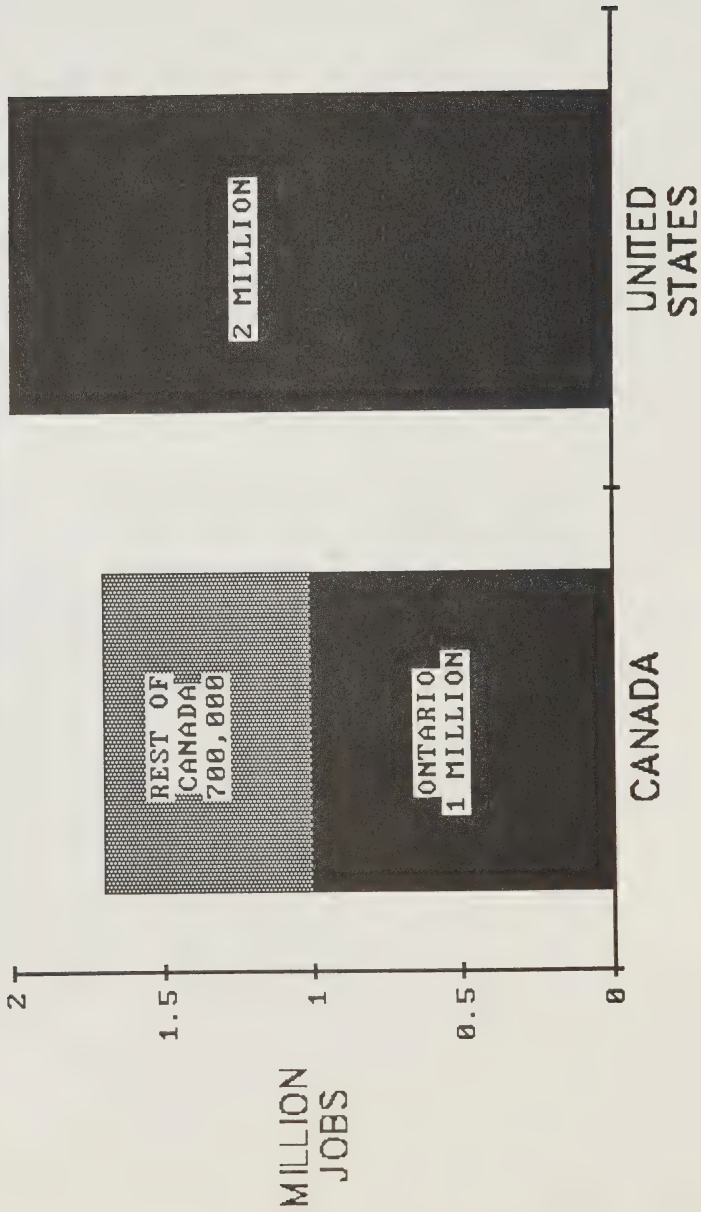
Although the issue of negotiating some form of trade agreement has been under discussion in Canada for some time, much of the study of the possible consequences for Canada has focussed on the effects on the economy as a whole. A considerable number of witnesses before the committee expressed serious concerns that Canada's trading relations--domestically and bilaterally--could be altered by a trade agreement in a way which could be disastrous for particular industries. Some industry representatives felt that, even though they were efficient producers of goods within Canada, they would remain uncompetitive with foreign based firms because of higher costs due to Canada's geography and climate, or their capital structure and relatively small size, or any number of other significant factors. At the same time, other industries felt that they would have few problems adjusting to increased Canada-United States trade.

Recommendation

It is recommended that:

8. Before any formal trade negotiations occur, the Canadian Government and the Government of Ontario should undertake detailed analyses of the possible consequences of bilateral trade enhancement, paying special attention to the effects on particular industries and communities, in order to ensure that no industry is inadvertently disadvantaged.

EMPLOYMENT
GENERATED BY
CANADA/U.S. TRADE



Source: Ministry of Industry, Trade and Technology.

The Committee has heard representations from a wide spectrum of people who, in presenting their own or their organization's position on bilateral trade relations with the United States, raised concerns over the effect on Canada's sovereignty of a comprehensive bilateral trade arrangement. These worries are so fundamental that they cannot be discounted. While our two countries have a long tradition of close relations, there cannot be any assurance that the interests of both countries will be identical. There have been disagreements and there will continue to be disagreements so long as Canada remains a sovereign nation. Any formal agreement that a nation makes with another impinges upon its freedom of action in those areas covered by the agreement. A bilateral trade agreement can severely impinge upon a nation's sovereignty by its nature as an economic agreement which has consequences beyond the purely trade areas directly dealt with. It is for this reason that the Committee does not favour a comprehensive bilateral free trade agreement as previously defined. But discussions to expand and improve Canada's trade relations with the United States have begun and such discussions can have beneficial consequences for our two economies. These discussions and possible trade agreements need not severely restrict Canada's independence if proper guarantees and safeguard measures are in place.

Recommendation

It is recommended that:

9. Any discussions and possible agreements on trade between Canada and the United States should provide assurances that Canada's position as a sovereign, independent state will not be impinged upon.

Measures and guarantees which assure sovereignty need to be specific about Canada's interests in assuring a balanced economy which can provide Canadians with the means of obtaining a good living. Historically, Canadian governments have taken action in order to even out disparities caused by distances or lack of resources. The Committee believes that the United States Government has no intention of interfering with Canada's rights to maintain independent policies and positions, or with Canada's ability to do so. But different institutions and traditions of government may not make the United States sensitive to Canadian concerns. This can be shown by occasional criticism made of Canadian policies by individuals or organizations in the United States. Some criticism may be well placed. Some critics simply fail to understand the fundamental differences between our two countries. One cannot expect the United States Government to defend Canada's interests; Canada must do so.

Recommendations

It is recommended that:

10. It is imperative that the Canadian Government guarantee that we do not compromise our social, cultural, regional and linguistic heritage in any trade discussions with the United States. This heritage includes, but is not limited to, government programs such as the Medicare system; pension and social security programs; the system of Workers' Compensation Boards; National Unemployment Insurance; regional development programs; and protection for Canadian content in the nation's media.
11. Any discussions and possible agreements should specifically protect Canada's continuing right to unique social, cultural and economic policies and programs based on its own distinct needs.

Some witnesses before the Committee have expressed strong concerns over the mood of protectionism which has recently grown in the United States. These witnesses argued that much of Canada's present trade with that country can be threatened by any legislative or administrative measures there that establish barriers to trade. Measures designed to deal with another country's unfair trading practises with the United States could inadvertently harm Canadian trade.

The United States Constitution distributes powers among three bodies in the Federal Government and two levels of government. In addition, over the years a number of semi-autonomous tribunals have been established through legislation. Jurisdiction for international trade matters lies with the Congress, although Congress delegates authority to the President. This particular division of powers--different from Canada's distribution of powers--permits the establishment of numerous arenas for dealing with trade issues. Recently, individual industries and political representatives in the United States have raised objections to the level of Canadian imports. Complaints have been made that Canada unfairly subsidises its industries. To date, concerted action by Canada's representatives there, by Canadian industries, by labour and by provincial governments has prevented the implementation of harmful measures.

Witnesses before the Committee have shown how these complaints over Canada's economic and social policies and programs are not justified. Often the criticism is based upon a lack of awareness of the distinct traditions of government in Canada. Often the criticism arises from their use of different types of government programs to provide assistance to industry or to people. Neither government would willingly give up its ability to intervene in its economy as it sees fit. High levels of Canada-United States trade will continue so disputes over government activity are likely to continue to arise. The Committee believes that some mechanisms can be established to deal with these trade disputes in a fair manner. Disputes should be equitably solved before they do serious harm to relations between our two countries.

Recommendations

It is recommended that:

12. In order to resolve the contentious trade issues between Canada and the United States, discussions between the two countries should settle the problems arising from tariffs, non-tariff barriers and government subsidies, and should determine which are legitimate, bearing in mind that Canada and the United States have distinct traditions, including different approaches to the governmental management of economic activity.
13. An international joint trade commission should be set up to arbitrate trade disputes that arise between Canada and the United States. This commission should be organized regardless of the outcome of any trade enhancement negotiations.

Efforts to resolve trade disputes should not be left solely to the Canadian Government. In the past, involvement by the affected industries--both labour and management--and by provincial governments was required to inform United States legislators of Canadian concerns. Even those in Washington, D.C. who are knowledgeable about Canada are often unaware of the interdependence of our two economies. This lack of knowledge is not a result of the inabilities of Canada's representatives there. The Canadian Government has some extremely proficient people looking after Canada's interests in Washington, D.C. Rather, the problem arises from the scope of our trade, and the size and makeup of the United States Government. Numerous people are involved in the policymaking and arbitration processes in the United States. Other governments from around the world are making extraordinary efforts to bring their interests forward. Therefore, the Committee believes a presence in Washington by the Ontario Government would be a valuable addition to Canada's trade activities.

It is important for the province's economic well-being for the Ontario Government to promote the province's exports more effectively. It is equally important for the Ontario Government to assist exporters to present their interests more effectively to the United States Government and its legislators. Ontario has trade representatives in six United States cities but not in that nation's capital. Furthermore, Ontario has an officially designated Ontario House in London and in Paris. There has been official Ontario representation in London since before Confederation and an Ontario House was opened there in 1945. This was appropriate given the fact that the United Kingdom was Ontario's principal trading partner; it continues to be appropriate due to the continuing economic, social and cultural ties that exist. Since Ontario's trading patterns have shifted in the twentieth century to a North American focus, the Committee believes that this fact should be recognized by including Washington, D.C. in the province's trade representation to the United States. Whether this is best achieved by adding another office to Ontario's current level of representation or by moving an existing office is a matter for the Government to decide.

Recommendation

It is recommended that:

14. The Government of Ontario should establish an Ontario House in Washington, D.C. in order to assist Ontario exporters develop--in cooperation with the Government of Canada--a greater means of communicating their trade concerns with the United States Government and legislators.

The Committee heard from representatives of the automobile industry that they had serious worries that comprehensive trade negotiations might jeopardize existing trade agreements between Canada and the United States, such as the Autopact. They fear that the United States administration would ask that this agreement be renegotiated as a condition for holding more extensive trade discussions. Serious consequences can occur for the province's economy if the provisions in the Autopact which guarantee a share of Canadian automobile production were eliminated. The automobile industry is a significant exporter to the United States in a rationalized North American automobile manufacturing system. At times during the life of the Autopact, Canada had a deficit in North American automobile trade. Canada now has a surplus in trade of assembled automobiles and a continuing deficit in automobile parts trade. The automotive parts industry--which is not formally a component of the Autopact--has undergone difficult restructuring in order to serve its customers better. While there are continuing problems with the Autopact, the Committee believes that it has served Canada extremely well. Any bilateral trade discussions, or negotiations should they arise, must recognize the importance of this industry to Canada and Ontario.

Recommendations

It is recommended that:

15. Existing trade arrangements previously agreed to between Canada and the United States--such as the Autopact and the Defence Production Sharing Agreement--should not be prejudiced by any future bilateral trade arrangements.
16. A trade agreement such as the Autopact, which embodies safeguards and requires companies to provide Canadian value added, is a model agreement that should be pursued.

The agricultural sector is not protected by any existing bilateral agreement but the Committee believes that it, too, is a special case. Climate and soil conditions will keep Ontario's agriculture less productive than comparable producers in the United States. Canada has developed unique institutions which manage the supply of some agricultural products produced and marketed domestically. Marketing boards do not exist for all products but they do for some significant ones. Governments have instituted numerous subsidy programs and special protection for agriculture. There are two broad goals to this government activity: Canadian governments wish to ensure that this country will continue to produce as much of its food as possible within the given geographic limitations; and Canadians wish to preserve the values that are embodied in the family farm. Both of these goals could be endangered if United States imports of agricultural products were granted unrestricted access to the Canadian market.

Recommendation

It is recommended that:

17. The agricultural sector should not be on the agenda for any trade discussions.

A trade agreement or treaty between Canada and the United States that deals with trade disputes and seeks to expand bilateral trade may dictate the restructuring of some industries. The Committee thinks that whatever is agreed to by Canada and the United States probably will require that industrial, social and employment adjustments take place. Some time may be needed to reduce any harm that could occur. This would undoubtedly mean that all levels of government allocate sufficient funds in order to augment existing adjustment programs and to initiate specific programs to deal with special problems that might arise.

Recommendations

It is recommended that:

18. A bilateral trade agreement should have an appropriate phasing-in period where required in order to permit business, government and, indeed, all facets of society the opportunity to minimize any disruption to industries and people.
19. Governments should initiate programs to allow for the employment, training, geographic relocation and social needs of people adversely affected by any trade arrangements.

Whatever adjustment programs are put in place cannot properly deal with whatever changes may be initiated by a trade agreement in isolation from the dynamics of the broader international economy and the adjustments required by rapid technological change. Improved international competitiveness is required. At the same time, the integrity of Ontario's high standard of living must be assured. The Committee believes it would be inappropriate for Canada to compete with low wage countries by lowering domestic wages or weakening our social programs. Competitive products can be produced in Ontario by using our developed industries and skills. Fluctuating international commodity markets, unstable prices, the development of new products that render whole industries obsolete and changing consumer tastes all necessitate a more concerted effort to be competitive.

Recommendation

It is recommended that:

20. In cooperation with industry and labour, the Government of Ontario should develop the competitiveness of the province's economy through greater support for: research and development; the technological upgrading of the manufacturing industries; improved skills training oriented to new technologies; and the building of technologically advanced industries. These efforts to enhance the productivity and competitiveness of the province's economy should firmly place expanding trade as a priority in a broad economic policy framework.

THE SELECT COMMITTEE'S FURTHER WORK

The Select Committee on Economic Affairs has spent over three months looking at the question of Ontario's trade options, focussing particularly on Canada-United States trade. To date, the Committee has concentrated primarily on the general questions that have developed over enhancing and securing existing markets in the United States. Numerous specific problems have been pointed out as requiring further study. Questions have been raised that there simply was not sufficient time to deal with. The Committee intends to try to answer some of these questions and to learn how Ontario can cope with some of its economic problems. The Committee found that there was insufficient information on how the province's industries would adjust to reduced trade barriers. Four research projects were commissioned in an effort to obtain the specific information the Committee requires in order to investigate these problems. The Committee expects they will be completed by early 1986. Meanwhile, the Committee will proceed with further hearings and discussions.

In order to fulfill its terms of reference, the Select Committee on Economic Affairs will investigate numerous problems and questions in the coming months, including the following:

1. The Committee wishes to speak with representatives of some of the manufacturing industries it has not yet heard from, such as textile, shoe and clothing industries, and with mining and natural resource industries.
2. Many witnesses spoke of the prospects of expanding service trade. The Committee wishes to examine the potential of increased trade in services and the implications in detail of reduced barriers to service trade.
3. Legitimate cultural concerns must be preserved in any trade liberalization. The Committee wishes to clarify what would be involved since cultural guarantees are incorporated in a range of legislation and regulations affecting businesses and arts organizations.

4. Reducing or eliminating tariffs and non-tariff barriers could alter the original motivation many multinational firms had for establishing Canadian subsidiaries. The Committee wishes to investigate the operational differences among Canadian firms, United States-owned firms, and non-U.S. foreign-owned firms, and how they would react to lower barriers, especially how investment decisions could be affected.
5. Many recent differences with the United States have developed over their countervail actions. To clarify the question of appropriate government subsidies, the Committee will look into the comparative level of subsidies in Ontario and in some U.S. states, and the effects of countervail actions upon Canada.
6. The Committee will look at the growth and trade potential of Ontario's technology industries, and how these might be affected by reduced trade barriers.
7. Adjustment programs will be looked at, as will the posture of the Canadian Government regarding these adjustment programs.
8. The Committee will examine the interprovincial barriers to trade.
9. The Committee will look more closely than it has been able to at trading options with countries other than the United States.

LIST OF RECOMMENDATIONS

Your Select Committee on Economic Affairs recommends that:

1. The Government of Ontario should encourage the Government of Canada to engage in efforts to reduce impediments to trade internationally through the General Agreement on Tariffs and Trade.
2. The Government of Ontario should make greater efforts to expand and diversify our trading relationships with other countries.
3. Interprovincial barriers to trade should be reduced in conjunction with any agreement to reduce barriers between Canada and the United States.
4. Discussions should begin immediately to reduce interprovincial barriers to trade regardless of any bilateral action.
5. Given the Government of Canada's initiative to begin trade discussions with the United States Government, the goal of these talks should be to reduce or eliminate barriers to trade between our two countries in a mutually beneficial manner.
6. Any discussions should be a forum for reinforcing the good trade relationship that has historically existed between Canada and the United States, and for clarifying the fact that Canada has consistently been a fair trader in the United States market.
7. The Government of Ontario should be involved in any trade discussions where matters of provincial jurisdiction or interest are under consideration.
8. Before any formal trade negotiations occur, the Canadian Government and the Government of Ontario should undertake detailed analyses of the possible consequences of bilateral trade enhancement, paying special attention to the effects on particular industries and communities, in order to ensure that no industry is inadvertently disadvantaged.
9. Any discussions and possible agreements on trade between Canada and the United States should provide assurances that Canada's position as a sovereign, independent state will not be impinged upon.

10. It is imperative that the Canadian Government guarantee that we do not compromise our social, cultural, regional and linguistic heritage in any trade discussions with the United States. This heritage includes, but is not limited to, government programs such as the Medicare system; pension and social security programs; the system of Workers' Compensation Boards; National Unemployment Insurance; regional development programs; and protection for Canadian content in the nation's media.
11. Any discussions and possible agreements should specifically protect Canada's continuing right to unique social, cultural and economic policies and programs based on its own distinct needs.
12. In order to resolve the contentious trade issues between Canada and the United States, discussions between the two countries should settle the problems arising from tariffs, non-tariff barriers and government subsidies, and should determine which are legitimate, bearing in mind that Canada and the United States have distinct traditions, including different approaches to the governmental management of economic activity.
13. An international joint trade commission should be set up to arbitrate trade disputes that arise between Canada and the United States. This commission should be organized regardless of the outcome of any trade enhancement negotiations.
14. The Government of Ontario should establish an Ontario House in Washington, D.C. in order to assist Ontario exporters develop - in cooperation with the Government of Canada - a greater means of communicating their trade concerns with the United States Government and legislators.
15. Existing trade arrangements previously agreed to between Canada and the United States--such as the Autopact and the Defence Production Sharing Agreement--should not be prejudiced by any future bilateral trade arrangements.
16. A trade agreement such as the Autopact, which embodies safeguards and requires companies to provide Canadian value added, is a model agreement that should be pursued.
17. The agricultural sector should not be on the agenda for any trade discussions.

18. A bilateral trade agreement should have an appropriate phasing-in period where required in order to permit business, government and, indeed, all facets of society the opportunity to minimize any disruption to industries and people.
19. Governments should initiate programs to allow for the employment, training, geographic relocation and social needs of people adversely affected by any trade arrangements.
20. In cooperation with industry and labour, the Government of Ontario should develop the competitiveness of the province's economy through greater support for: research and development; the technological upgrading of the manufacturing industries; improved skills training oriented to new technologies; and the building of technologically advanced industries. These efforts to enhance the productivity and competitiveness of the province's economy should firmly place expanding trade as a priority in a broad economic policy framework.

TERMS OF REFERENCE**Votes and Proceedings No. 18****Wednesday, July 10, 1985, pp. 94-96**

The following Select Committee be established for this Session or otherwise as indicated, with power to examine and inquire into all such matters as may be referred to them by the House, with power to send for persons, papers and things, as provided in section 35 of the Legislative Assembly Act:

Select Committee on Economic Affairs - 11 members, with 5 from the Government Party, 4 from the Official Opposition Party and 2 from the Third Party, to examine and report to the House on an interim basis within three months, and on a final basis within one calendar year, on:

- (a) the appropriate bilateral trade options that are both consistent and pursuant to enhancing Canada's and Ontario's economic development and socio-cultural-political advancement, including considerations of:
- improving the competitiveness of the Canadian and specifically the Ontario economy
 - creating greater and better job opportunities for Ontarians of all ages
 - increasing value-added and resource processing in Canadian and specifically Ontario industries
 - securing and enhancing access to the U.S. market for Ontario's manufacturers, resource products, and services
 - promoting and furthering Ontario's regional development
 - ensuring control of Ontario resources by the people of Ontario
 - promoting Canadian ownership of industries producing and/or marketing in Canada
 - promoting Canadian content in products which are major imports into Canada
 - providing Ontario consumers with access to a wide range of products at reasonable prices
 - stimulating capital and technological investment in Canada and in Ontario in particular
 - strengthening Canada's and Ontario's relationships with its other trading partners
 - promoting the standard of living and social progress of Canadians and Ontarians in particular, and the ability of all people of Ontario to participate in increased economic prosperity

- providing a positive environment for Canadians and for Ontarians in particular to further advance their political-socio-economic development and to promote the well-being of each individual Ontario resident.
- (b) the appropriate considerations and factors which are integral to the evaluation of the advantages and disadvantages of negotiating a Canada-U.S. bilateral trade agreement, including considerations on:
- the impact, in the short term and the medium term, of removing barriers to bilateral trade on Ontario economic activity and employment, and the desirability of introducing policies to aid and assist firms, workers and regions in Ontario during the transition period as well as to exploit the opportunities created by secured and enhanced access to the U.S. market
 - the impact of a bilateral trade agreement on the structure of and the level of competition of Ontario industries, and the operations of a Canadian- and foreign-owned enterprises
 - the impact of a bilateral trade agreement on individual Ontario communities, particularly those which are heavily dependent on one industry
 - the impact of a bilateral trade agreement on current economic growth and employment and future economic growth and employment in Ontario in particular
 - the impact on investment in production facilities, capital equipment and research and development by Canadian- and foreign-owned enterprises
 - the implications for current federal-provincial arrangements in economic, social, and cultural policy areas
 - the implications for labour and labour markets, including skilled labour requirements and retraining programs
 - the implications for Canadian-sovereignty and federal-provincial relations
 - the implications for Canadian and related Ontario domestic policies in areas such as fiscal, tax, financial, cultural, employment and social policy areas
 - the implications for Canada's and Ontario's trade relations with its other major trading partners
 - the implications for labour laws and environmental standards
 - an evaluation of the likely issues which the United States would want to have resolved as part of a Canada-U.S. trade agreement, including such things as foreign investment policy, policies affecting the service and financial sectors and so on.

- (c) the appropriate goals and objectives for entering bilateral trade negotiations with the United States, including considerations of:
- how existing Ontario jobs will be protected in all sectors
 - how economic growth in Canada can be stimulated so as to provide the maximum number of new jobs in Ontario
 - whether to seek negotiations in a comprehensive sector or functional or sectoral basis
 - the need for Canadian content requirements on all major imports into Canada
 - the rules to govern the use of non-tariff measures such as government procurement and in the United States and Canada as they affect bilateral trade and Ontario's direct interests and their complementarity to the GATT rules where they exist
 - which trade importing measures, and which industries, might warrant consideration of exclusion from bilateral trade negotiations
 - likely assurances that Canada will not be restricted from adopting policies which would encourage the development of Canadian-owned industry
 - desirable transition measures and safeguards to be included in any bilateral trade agreement to ensure an orderly adjustment of economic activity in the interests of Ontario and the full realization of the benefits secured and enhanced access to the U.S. market
 - the appropriate time-frame for implementing any negotiated agreement
 - the appropriate negotiating structures in the two countries including Ontario's role
 - the appropriate structures for consultations with, and participation by, the provinces, private sector, and other groups
 - the appropriate mechanisms and bilateral institutions for dispute resolution and monitoring of compliance of commitments
 - the appropriate form and means of implementation into Ontario legislation of the commitments under a new bilateral agreement.

And that the Select Committee have authority to sit during adjournments and the interval between sessions and have full power to employ such staff as it deems necessary and to hold meetings and hearings in such places as the Committee may deem advisable, subject to budget approval from the Board of Internal Economy.

SELECT COMMITTEE ON ECONOMIC AFFAIRS

ONTARIO TRADE REVIEW

Schedule of Hearings and Witnesses

July - October 1985

Tuesday, 23 July 1985

10:00 a.m. Ministry of Industry, Trade and Technology:
George S. MacDonell
Deputy Minister

2:00 p.m. Ministry of Industry, Trade and Technology

Wednesday, 24 July 1985

10:00 a.m. Ministry of Treasury and Economics:
Dr. Bryne B. Purchase
Assistant Deputy Minister and
Chief Economist

David Trick
Executive Assistant

Doug Welwood
Senior Policy Advisor

Dr. Ron Saunders
Senior Economist

1:30 p.m. Ministry of Treasury and Economics

Thursday, 25 July 1985

10:00 a.m. Prof. Ron Wonnacott
University of Western Ontario

1:30 p.m.

Ministry of Northern Affairs and Mines:
David Hobbs
Deputy Minister

James Finlay
Executive Coordinator
Mineral Resources Group

Dr. T. Mohide
Director
Mineral Resources Group

Dr. Gerry Anders
Senior Policy Advisor
Metallic Mineral Section

Bill Stevenson
Director
Strategic Planning Secretariat

Monday, 29 July 1985

10:00 a.m. Ministry of Natural Resources:
Kenneth Armson
Executive Coordinator
Forest Resources Group

Bill Wardle
Industrial Liaison Officer
Forest Resources Group

2:00 p.m. Prof. Stephen Clarkson
University of Toronto

Tuesday, 30 July 1985

2:00 p.m. Frank Stone
Institute for Research on Public Policy

Wednesday, 31 July 1985

10:00 a.m. Ontario Federation of Labour:
Clifford Pilkey
President

Don Holder
Vice-President

John Eleen
Director of Research

Jo Surich
Resource Coordinator

2:00 p.m. Prof. Mel Watkins
University of Toronto

Thursday, 1 August 1985

10:00 a.m. Canadian Manufacturers' Association:
Laurent Thibault
President

Paul Kovacs
Chief Economist

Tommy Thompson
Chairman
Ontario Division

2:00 p.m.

Ministry of Agriculture and Food:

Dr. Clayton Switzer
Deputy Minister

Dr. George Collin
Assistant Deputy Minister

Brian Slemko
Director
Food Processing Branch

Grahame Richards
Director
Market Development Branch

Bob Seguin
Senior Policy Advisor

Richard Caine
Policy Advisor

David Thompson
Policy Advisor

Monday, 19 August 1985

10:00 a.m.

1. Automotive Parts Manufacturers' Association:
Patrick Lavelle
President

Morley Bursey
Executive Director
2. Alan Heisey

2:00 p.m.

1. Prof. Fred Lazar,
York University.

2. Connaught Laboratories Ltd:
Alun Davies
President

R. Robert Binnerts
Director of Technology Transfer

John Kieran
Consultant

Tuesday, 20 August 1985

10:00 a.m.

1. Retail Council of Canada:
Alasdair McKichan
President

Gerry Doucet
Senior Vice-President
2. Communist Party of Canada:
Gordon Massie
Ontario Leader

John MacLennan
Ontario Organizer

2:00 p.m.

Boxboard Industry:
Duncan Campbell
General Manager - Marketing and Sales
Paperboard Industries Corporation
Trent Valley Paperboard Mills Division

Mike Bailey
Director - Marketing and Business Development
Keycorp Industries Limited

W. Earl Riddolls
President
Strathcona Paper Company

Wednesday, 21 August 1985

10:00 a.m. Board of Trade of Metropolitan Toronto:
James H. Bursey
Member, International Trade Committee
and President, Bursey International Limited

2:00 p.m. Prof. Richard Lipsey
C.D. Howe Institute

Thursday, 22 August 1985

10:00 a.m.

1. Lisa Bajor

2. C.W.J. Atkinson

2:00 p.m. Jack H. Warren
Vice-Chairman
Bank of Montreal
Former Canadian diplomat and participant in GATT
negotiations

Monday, 26 August 1985

10:00 a.m. United Electrical Radio and Machine
Workers of Canada:
Dick Barry
National President

James Turk
Research Director

2:00 p.m. Ontario Federation of Agriculture:
Harry Pelissero
President

Brigid Pyke
First Vice-President

Jack Wilkinson
Second Vice-President

Cecil Bradley
Manager, Economic Research

Tess Malolos
Director, Communications

Tuesday, 27 August 1985

10:00 a.m. United Steelworkers of America
 Canadian National Office:
 Gerard Docquier
 National Director

2:00 p.m. Prof. John Crispo
 University of Toronto

Wednesday, 28 August 1985 Ottawa

2:00 p.m. Economic Council of Canada:
 Peter M. Cornell
 Director

 Paul Gorecki
 Economist

 Elizabeth Gulyas
 Executive Assistant to the Chairman

 John Knubley
 Economist

Thursday, 29 August 1985 Ottawa

10:00 a.m.

Department of External Affairs:
W. A. Dymond
Senior Advisor and Coordinator
Canada/U.S. Trade Task Force

Michael Hart
Special Advisor
Canada/U.S. Trade Relations

Germain Denis
Chairman, Task Force on Multilateral
Trade Negotiations

Ted Hobson
Federal /Provincial Focal Point
Canada/U.S. Trade Relations and
Multilateral Trade Negotiations

Department of Finance:
Bob Martin
Director, International Economic Relations

2:30 p.m.

Canadian Export Association:
Frank Petrie
President

Wednesday, 4 September 1985

10:00 a.m.

Ontario Forest Industries Association:
I.D. Bird
President

K. Linn MacDonald
Group Vice-President (Operation)
Abitibi-Price Inc.

E. F. Boswell
Senior Vice-President
E.B. Eddy Forest Products Limited

2:00 p.m.

Sinclair Radio Laboratories Ltd.:
Dr. George Sinclair
Chairman

Thursday, 5 September 1985

10:00 a.m.

Brewing Industry:
Norman Seagram
President
Molson's Brewery (Ontario) Ltd.

Sandy Morrison
President
Brewers Association of Canada

J.R.A. Brickman
President
Brick Brewing Company Ltd.

J.P. Harrington
Assistant to the Vice-President and
General Manager
Labatt Brewing Company Ltd.

D.H. Twiner
President
Carling O'Keefe Breweries of Ontario Ltd.

2:00 p.m.

1.

Ministry of Intergovernmental Affairs:
Gary Posen
Deputy Minister

Anne Waddell
Policy Advisor

Lorraine Ratnik
Policy Advisor

2.

Jim McGuigan, M.P.P.

Tuesday, 10 September 1985

Washington, D.C.

8:15 a.m.

Allan Gotlieb
Canadian Ambassador to the United States

Congressional Research Service:
Dr. Alfred Reifman
Senior Specialist in International Economics

Mr. Raymond Ahearn
Economist, International Economics Division

1:00 p.m.

House of Representatives Ways and
Means Committee:
Mr. George Weise
Professional Staff
Trade Subcommittee

House of Representatives Ways and
Means Committee
Mr. George Ingram
Professional Staff

Wednesday, 11 September 1985

Washington, D.C.

10:00 a.m.

Senate Foreign Relations Committee:
Kenneth Myers
Professional Staff

12:30 p.m.

Dow, Lohnes and Albertson:
Bill Silverman
Ken Salomon

Senate Finance Committee:
Leonard Santos
Trade Counsel

Jeffrey Lang
Trade Counsel

Thursday, 12 September 1985 Washington, D.C.

9:00 a.m.

U.S. Department of Commerce:
Tom Brewer
Director, Office of Canadian Affairs

Murphy, Perlman and Sarkis:
Ron Perlman

U.S. Treasury Department:
Bill Barreda
Director, Office of International Trade

U.S. Department of State:
Sam Fromowitz
Office of Canadian Affairs

U.S. Department of Agriculture:
Carol Harvey
Director, Western Europe and Inter-America
Division

Representative Arlan Stangeland, 7th District,
Minnesota

U.S. Department of State:
Jim Medas
Deputy Assistant Secretary of State for
Canadian Affairs

Friday, 13 September 1985 Washington, D.C.

8:00 a.m.

Office of the U.S. Trade Representative:
Mr. Bill Merkin
Deputy Assistant U.S. Trade Representative for
the
Americas

U.S. Chamber of Commerce:
Mr. Fred Stokeld
Executive Secretary, USA Section
Committee on Canada/U.S. Relations

National Planning Association:
Mr. Peter Morici
Vice-President

Seifman, Semo, Slevin and Marcus P.C.:
Donald H. Seifman

Monday, 16 September 1985

10:00 a.m. Association of Canadian Advertisers:
 John Foss, President

 Yves Ameline
 Vice-Chairman
 Board of Directors

2:00 p.m. Ian Thompson
 Centre for Canadian-American Studies
 University of Windsor

Tuesday, 17 September 1985

10:00 a.m. United Automobile Workers:
 Robert White
 UAW Director for Canada and
 International Vice-President

 Sam Gindin
 Research Director

 Basil Hargrove
 Administrative Assistant to
 UAW Director for Canada

2:00 p.m. Polysar Limited:
 G.F. Bentley
 Group Vice-President
 Basic Petrochemicals Division

 G.J. Finn
 Manager
 Government Relations

 Slater Steels Corporation
 Slacan Division:
 J. David Smart
 General Sales Manager

Wednesday, 18 September 1985

10:00 a.m.

Ontario Trucking Association:
Raymond Cope
Executive Vice-President and
General Manager

Bernie Jones
President
Blue Apple Consulting

John Sanderson
Vice-President
Public Affairs
CP Trucks

2:00 p.m.

Stelco Inc.:
John D. Allan
President Chief and Executive Officer

Donald K. Belch
Senior Government
Trade Relations Manager

Monday, 23 September 1985

10:00 a.m.

1.

Canadian Wall Covering Distributors Association:
Dennis Mascal
Selectone Paints

Stuart Brown
Walter Brown Co. Ltd.

Barbara O'Neill
Bapco

Paul Batchelor
Sunworthy Wallcoverings

Howard Isenberg
Canada Wallcoverings

Arthur J. Wickham
Consultant

11:00 a.m.

2.

The Manufacturers Life Insurance Company:
Elvon Harris
Senior Vice-President
International Development

Joseph J. Pietroski
Vice-President and Secretary

Jalynn Bennett
Vice-President
Corporate Development

2:00 p.m.

Ontario Provincial Council of Labour:
Ed Herechuk
President

Reg Conrad
Secretary Treasurer

Wednesday, 25 September 1985

10:00 a.m.

Prof. Toivo Miljan
Department of Political Science
Wilfrid Laurier University
Director, Centre on Foreign Policy and
Federalism of University of Waterloo and
Wilfrid Laurier University

Keith Heintzman
Research Associate
Centre on Foreign Policy and Federalism

2:00 p.m.

Prof. Paul Beamish
School of Business and Economics
Wilfrid Laurier University

Thursday, 26 September 1985 Sault Ste. Marie

10:00 a.m.

1. Algoma Steel Corporation:
 James Melville
 Secretary
2. Northern Breweries:
 Ross Eaket
 President
3. Sault Ste. Marie Chamber of Commerce:
 Michael Peets
 Member, Development Committee

2:00 p.m.

1. Mr. Lasse Skogberg
2. Dr. Krishna Kadiyala
 Associate Professor of Economics
 Algoma University College
3. Algoma Central Railway:
 Stanley Black
 Vice-President and
 Division Manager - Rail
4. Mr. Brian Oja
 Economist

Monday, 30 September 1985

10:00 a.m.

Ministry of Industry, Trade and Technology:
George S. MacDonell
Deputy Minister

David S. Barrows
Director
Planning and Priorities Secretariat

John Brady
Manager, Trade Policy
Planning and Priorities Secretariat

2:00 p.m. Urban Transportation Development Corporation:
Kirk W. Foley
President and Chief Executive Officer

Wednesday, 2 October 1985

10:00 a.m. Consumers Association of Canada (Ontario):
Miriam Kramer
Chair
Economic Committee

3:30 p.m. Royal Bank of Canada:
Dr. Edward P. Neufeld
Senior Vice-President and
Chief Economist

Thursday, 3 October 1985

10:00 a.m. Canadian Business Equipment
Manufacturers' Association:
Graeme Hughes
President

John Neufeld
Member, Board of Directors and
President
Arconas Corporation

Grant Murray
Member, Board of Directors and
Vice-President
Law and Corporate Relations
IBM Canada Limited

2:00 p.m. Prof. Abraham Rotstein
University of Toronto

2. Crawley Films Limited:
William Stevens Jr.
Chief Executive Officer

Monday, 7 October 1985

10:00 a.m. Draft Report

2:00 p.m. Draft Report

Tuesday, 8 October 1985

11:00 a.m. Draft Report

2:00 p.m. Draft Report

Wednesday, 9 October 1985

10:00 a.m. Draft Report

Thursday, 10 October 1985

10:00 a.m. Draft Report

Wednesday, 23 October 1985

10:00 a.m. Draft Report

2:00 p.m. Draft Report

SELECT COMMITTEE ON ECONOMIC AFFAIRS

LIST OF EXHIBITS

11 July 1985

Exhibit No. 1	TERMS OF REFERENCE: Votes and Proceedings No. 18 dated Wednesday, July 10, 1985, pp. 94-96.
---------------	---

23 July 1985

Exhibit No. 2	LEGISLATIVE RESEARCH OFFICER: Press clippings.
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Exhibit No. 3	LEGISLATIVE RESEARCH OFFICER: Briefing Book.
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Exhibit No. 4	MINISTRY OF INDUSTRY, TRADE AND TECHNOLOGY: Submission dated 1985: Ontario Exports Mean Jobs.
---------------	---

24 July 1985

Exhibit No. 5	LEGISLATIVE RESEARCH OFFICER: Press clipping.
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Exhibit No. 6	MINISTRY OF TREASURY AND ECONOMICS: Submission dated July 24, 1985 from Office of Economic Policy: Canada-U.S. Trade.
---------------	---

25 July 1985

Exhibit No. 7	LEGISLATIVE RESEARCH OFFICER: Press clipping.
---------------	--

Exhibit No. 8	MINISTRY OF NORTHERN AFFAIRS AND MINES: Submission dated July 25, 1985: Status of Ontario Metal Mining and Ontario-U.S. Mineral Trade.
---------------	--

29 July 1985

Exhibit No. 9	LEGISLATIVE RESEARCH OFFICER: Press clippings.
---------------	---

Exhibit No. 10	MINISTRY OF NATURAL RESOURCES: Submission.
----------------	---

30 July 1985

Exhibit No. 11

LEGISLATIVE RESEARCH OFFICER:
Press clippings.

Exhibit No. 12

F. STONE:
Submission dated July 30, 1985 from Frank Stone,
Research Associate, International Economics Program,
Institute for Research on Public Policy,
275 Slater Street, 5th Floor, Ottawa K1P 5H9.

31 July 1985

Exhibit No. 13

LEGISLATIVE RESEARCH OFFICER:
Press clippings.

Exhibit No. 14

ONTARIO FEDERATION OF LABOUR:
Submission dated July 31, 1985 from
Clifford G. Pilkey, President, and
Wally Majesky, Secretary-Treasurer.

Exhibit No. 15

ONTARIO FEDERATION OF LABOUR:
Summary of Ontario Federation of Labour Brief
dated July 31, 1985.

Exhibit No. 16

LEGISLATIVE RESEARCH OFFICER:
Background information re: Mexico.

Exhibit No. 17

COMMITTEE CLERK:
Background information dated June 1985:
Free Trade: Salvation or Sell-out? Analysis,
by David Crane, Toronto Star.

1 August 1985

Exhibit No. 18

LEGISLATIVE RESEARCH OFFICER:
Press clippings.

Exhibit No. 19

CANADIAN MANUFACTURERS' ASSOCIATION:
Submission dated August 1, 1985 from
J. Laurent Thibault, President,
One Yonge Street, Toronto M5E 1J9.

Exhibit No. 20

MINISTRY OF AGRICULTURE AND FOOD:
Submission dated August, 1985: Ontario's
International Trade in Agricultural and Food
Products.

- Exhibit No. 21 MINISTRY OF AGRICULTURE AND FOOD:
News Release dated May 31, 1985 re:
Miami Food Sales Mission.
- Exhibit No. 22 MINISTRY OF AGRICULTURE AND FOOD:
News Release re: Ontario Breakthrough in
Chinese Market.
- Exhibit No. 23 AMERICAN CONSUL:
Background Information: Prepared Remarks dated
April 25, 1985 by Ambassador Michael B. Smith,
Deputy U.S. Trade Representative, to the
Financial Post Conference on Access USA.
Submitted by H.R. Lucius, American Consul.
- Exhibit No. 24 LEGISLATIVE RESEARCH OFFICER:
Background Information: World Standard of
Living.

19 August 1985

- Exhibit No. 25 I. CROCKATT:
Submission dated July 30, 1985 from Ian Crockatt,
77 Davisville Avenue, Apt. 315, Toronto M4S 1G4.
- Exhibit No. 26 V. GIDWANEY:
Submission dated July 31, 1985 from Vasdeo
Gidwaney, 36 Yucatan Road, Willowdale M2H 2K8.
- Exhibit No. 27 CENTRE FOR CANADIAN-AMERICAN STUDIES:
Submission dated August 1, 1985 from Ralph K.
Cowan, Executive Director, Centre for Canadian-
American Studies, University of Windsor,
Windsor N9B 3P4.
- Exhibit No. 28 CANADIAN BUSINESS EQUIPMENT
MANUFACTURERS' ASSOCIATION:
Submission dated July 1985: "How to secure and
enhance Canadian access to export markets". To
the Honourable James Kelleher, Minister for
International Trade.
- Exhibit No. 29 MINISTRY OF AGRICULTURE AND FOOD:
Supplementary submission: Overhead Slide
Presentation.
- Exhibit No. 30 POLYSAR LIMITED:
Submission dated August 13, 1985 from G. F.
Bentley, Group Vice President, Basic
Petrochemicals, 201 N. Front Street,
Sarnia N7T 7V1.

- Exhibit No. 31 AUTOMOTIVE PARTS MANUFACTURERS'
ASSOCIATION:
Submission dated August 19, 1985 from Patrick J.
Lavelle, President.
- Exhibit No. 32 AUTOMOTIVE PARTS MANUFACTURERS'
ASSOCIATION:
Supplementary Submission: Statistical Appendix.
- Exhibit No. 33 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 34 A. HEISEY:
Submission, with enclosures, dated August 19, 1985
from Alan Heisey,
29 Bernard Avenue, Toronto M5R 1R3.
- Exhibit No. 35 F. LAZAR:
Background information from Professor Fred Lazar:
The Unresolved Debate: Free Trade/Industrial
Policy.
- Exhibit No. 36 F. LAZAR:
Background information from Professor Fred Lazar:
Free Trade: A Feasible Strategy?

20 August 1985

- Exhibit No. 37 RETAIL COUNCIL OF CANADA:
Submission dated August 1985 from Alasdair J.
McKichan, President, 212-214 King Street West,
Toronto M5H 1K4.
- Exhibit No. 38 COMMUNIST PARTY OF CANADA:
Submission dated July 24, 1985 from the Central
Executive Committee, Communist Party of Canada,
24 Cecil Street, Toronto M5T 1N2, to the Special
Joint Committee on Canada's International
Relations.
- Exhibit No. 39 COMMUNIST PARTY OF CANADA:
Background information: An Alternative for
Canadian Autoworkers.
- Exhibit No. 40 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 41 STRATHCONA PAPER COMPANY:
Letter dated July 19, 1985 from W.E. Riddolls,
President, Division Office and Mill, Box 130,
Napanea K7R 3LR.

25 September 1985

- Exhibit No. 137 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 138 PROF. T. MILJAN:
Background Information.
- Exhibit No. 139 PROF. P. BEAMISH:
Submission dated September 25, 1985 from
Dr. Paul W. Beamish, Assistant Professor of
Business Strategy and International Business, School
of Business and Economics, Wilfrid Laurier
University, and Chairman, International Business
Unit, Laurier Institute.

26 September 1985

- Exhibit No. 140 ALGOMA STEEL CORPORATION LTD:
Submission dated September 26, 1985 from
James T. Melville, Secretary:
Bilateral Trade Options.
- Exhibit No. 141 NORTHERN BREWERIES LTD:
Submission dated September 26, 1985 from
Ross Eaket, President:
Overview of Canada - U.S. Free Trade.
- Exhibit No. 142 SAULT STE. MARIE CHAMBER OF COMMERCE:
Submission dated September 26, 1985 from
Mike Peets, Sault Ste. Marie Chamber of
Commerce, 360 Great Northern Road,
Sault Ste. Marie.
- Exhibit No. 143 L. SKOGBERG:
Submission dated Thursday, 26 September 1985 from
Mr. Lasse Skogberg.
- Exhibit No. 144 K. KADIYALA:
Submission dated September 26, 1985 from
Krishna Kadiyala, Department of Economics,
Algoma University College,
Sault Ste. Marie.
- Exhibit No. 145 ALGOMA CENTRAL RAILWAY:
Submission dated September 26, 1985 from
Stanley A. Black, Vice-President - Rail.

30 September 1985

- Exhibit No. 146 NORTHERN TELECOM LTD:
Submission dated September 18, 1985 from
W. C. Benger, Executive Vice-President,
Marketing and Corporate Relations,
P. O. Box 458, Station A, Mississauga L5A 3A2.
- Exhibit No. 147 ONTARIO FOREST INDUSTRIES ASSOCIATION:
Supplementary Submission dated September 5, 1985
from Ian D. Bird, President, Suite 1700,
130 Adelaide St. West, Toronto M5H 3P5.
- Exhibit No. 148 CANADIAN PAPERWORKERS UNION:
Letter dated September 6, 1985 from
Dan Holder, Vice-President, Region III,
Suite 709, 701 Evans Avenue
Etobicoke M9C 1A3.
- Exhibit No. 149 GROCERY PRODUCTS MANUFACTURERS OF
CANADA:
Submission dated August, 1985 from
Grocery Products Manufacturers of Canada,
1185 Eglinton Avenue East, Suite 101
Don Mills M3C 3C6.
- Exhibit No. 150 SINCLAIR RADIO LABORATORIES LTD.:
Supplementary Submission dated September 10, 1985
from George Sinclair, Chairman of the Board.
- Exhibit No. 151 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 152 URBAN TRANSPORTATION DEVELOPMENT
CORPORATION:
Submission dated September 30, 1985 from
Kirk W. Foley, President.

1 October 1985

- Exhibit No. 153 LEGISLATIVE RESEARCH OFFICER:
Summary of Presentations dated July 23 -
September 26, 1985 from Fernando Traficante,
Barbara Cotton and David Neufeld, Research
Officers.

- Exhibit No. 154 MINISTRY OF TREASURY AND ECONOMICS:
Background Information dated September 26, 1985
from Office of Economic Policy, Sectoral and
Regional Policy Branch: Canada-U.S. Trade
Relations: Responses to Questions Raised by the
Select Committee on Economic Affairs.
- Exhibit No. 155 LEGISLATIVE RESEARCH OFFICER:
Press Clipping dated September 27, 1985: Free
trade talks a bid to protect 2 million workers
Mulroney says.
- 2 October 1985
- Exhibit No. 156 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 157 CONSUMERS' ASSOCIATION OF CANADA
(ONTARIO):
Submission dated October 2, 1985 from the
Consumers' Association of Canada (Ontario),
Suite 403, 234 Eglinton Avenue East,
Toronto M4P 1K5.
- Exhibit No. 158 CONSUMERS' ASSOCIATION OF CANADA
(ONTARIO):
Background Information dated October 1985:
"Quotas and Consumers", from Canadian Consumer,
pp. 10-15.
- Exhibit No. 159 ROYAL BANK OF CANADA:
Submission dated October 2, 1985 from
Dr. Edward P. Neufeld, Senior Vice-President and
Chief Economist: Building Consensus on
Canada/U.S. Trade Policy.
- Exhibit No. 160 J. McGUIGAN, M.P.P.:
Report dated September 24, 1985 from
Jim McGuigan, M.P.P.: Dallas.
- Exhibit No. 161 K.D. SALOMON:
Letter with attachments dated September 12, 1985
from Kenneth D. Salomon of Dow, Lohnes and
Albertson, 1255 Twenty-third Street, Washington,
D.C. 20037, to Rick Ferraro, M.P.P.

3 October 1985

- Exhibit No. 162 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.
- Exhibit No. 163 CANADIAN BUSINESS EQUIPMENT
MANUFACTURERS' ASSOCIATION:
Supplementary Submission: Opening Remarks by
Graeme C. Hughes, President.
- Exhibit No. 164 CANADIAN TEXTILES INSTITUTE:
Submission dated September 24, 1985 from
Liz Siwicki, Director, Trade Policy Services,
280 Albert Street, Suite 502, Ottawa K1P 5G8.
- Exhibit No. 165 AMERICAN CONSUL:
Background information dated September 23, 1985;
Text of U.S. President's Trade Speech, and Text of
Background Paper on President's Action Plan for
Trade Policy.
- Exhibit No. 166 A. ROTSTEIN:
Submission dated October 3, 1985 from
Abraham Rotstein, Department of Economics,
University of Toronto: Free Trade versus
Industrial Policy.

7 October 1985

- Exhibit No. 167 LEGISLATIVE RESEARCH OFFICER:
Background information dated September 26, 1985;
Statement by Prime Minister Brian Mulroney on
Canada/U.S.A. Trade Negotiations.
- Exhibit No. 168 INSTITUTE FOR POLICY ANALYSIS:
Background Information dated October 1985 from
Peter Dungan, Policy and Economic Analysis
Program, Institute for Policy Analysis, University of
Toronto: The Macroeconomic Impacts of Free
Trade with the U.S.: Lessons from the FOCUS-
PRISM Economic Model.
- Exhibit No. 169 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.

8 October 1985

- Exhibit No. 170 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.

Exhibit No. 171 LEGISLATIVE RESEARCH OFFICER:
Summary of Presentations dated July 23 - October
7, 1985 from Fernando Traficante, Barbara Cotton
and David Neufeld, Research Officers.

Exhibit No. 172 MINISTRY OF INDUSTRY, TRADE AND
TECHNOLOGY:
Background Information: The Global Competitive
Struggle: Challenges to the United States and
Canada, by Peter Morici, Canadian-American
Committee.

9 October 1985

Exhibit No. 173 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.

Exhibit No. 174 J. McGUIGAN, M.P.P:
Press Clippings.

10 October 1985

Exhibit No. 175 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.

Exhibit No. 176 COMMITTEE CLERK:
Statement dated Tuesday, 8 October 1985 from the
Honourable William Wrye, Minister of Labour,
re: Report of the Ontario Task Force on
Employment and New Technology.

23 October 1985

Exhibit No. 177 TOPPING ELECTRONICS LTD.:
Submission dated May 17, 1985 from F.V. Topping,
President, Topping Electronics Ltd., 1320 Ellesmere
Road, Scarborough M1P 2X9: Response to the
Minister for International Trade paper on How to
Secure and Enhance Canadian Access to Export
Markets.

Exhibit No. 178 OFFICE OF THE PREMIER:
Letter dated September 25, 1985 from Hon. David
Peterson, Premier, with attached telex dated
August 21, 1985 from H. Harrison McCain,
Chairman, McCain Foods Ltd., Florenceville, N.B.
E0J 1K0.

- Exhibit No. 179 I. THOMPSON:
Supplementary Submission dated September 25, 1985
from Ian Thompson, 3307 Randolph Avenue,
Windsor N9E 3E8.
- Exhibit No. 180 G. M. ALCOCK:
Background information dated October 1, 1985 from
G. M. Alcock, Director, Human Resources,
Electrohome Ltd., 809 Wellington St. North,
Kitchener N2G 4J6: Speech by James W.
McCamby, President, Canadian Federation of
Labour, to Canadian Chamber of Commerce re:
New Dimensions in Canada - U.S. Trade.
- Exhibit No. 181 G. M. ALCOCK:
Background information dated October 1, 1985:
Speech by Tom Hockin, M.P. to Canadian Chamber
of Commerce re: Canada - U.S. Trade Relations.
- Exhibit No. 182 G. M. ALCOCK:
Background information dated October 1, 1985:
Speech by Robert L. Pierce to Canadian Chamber of
Commerce re: New Dimensions in Canada - U.S.
Trade.
- Exhibit No. 183 G. M. ALCOCK:
Background information dated October 1, 1985:
Speech by Thomas M.T. Niles, U.S. Ambassador to
Canada, to Canadian Chamber of Commerce:
Address on Canada - U.S. Trade Issues.
- Exhibit No. 184 B. STEPHENSON, M.P.P.:
Letter dated October 4, 1985 from Bette
Stephenson, M.D., M.P.P., with attached submission
from Anthony J. Carrier, President, Carrier
Footwear (1980) Limited, 90 Ontario Street, Toronto
M5A 3V6.
- Exhibit No. 185 LEGISLATIVE RESEARCH OFFICER:
Press Clippings.

APPENDIX D

DISSENT: BY NEW DEMOCRATS

The New Democrat members of the Select Committee on Economic Affairs cannot agree with the perspective of the majority.

While we support a number of the recommendations contained in the majority report, we do not share the enthusiasm of the Liberals and Conservatives for the concept of bilateral free trade with the United States.

The recommendations of the majority reflect the implicit assumptions that a bilateral free trade agreement with the U.S. is a foregone conclusion, that Ontario should acquiesce in endorsing the current initiative of the Mulroney government in Ottawa, that such an agreement is the only solution to current Canada-U.S. trade frictions and that such an agreement will be good for Canada. We disagree fundamentally with these points.

We understand that the threat of U.S. protectionism is a real one and we are committed to resolving the growing trade frictions between our two countries. But we strongly believe in the alternatives to free trade. Accordingly, we are proposing a program that in the short-term would attempt to resolve current trade frictions and in the longer term, would respond to the structural problems that plague the Canadian economy.

In the short term we propose:

1. The creation of a bilateral trade mechanism to resolve specific trade disputes between our two countries, and establish a fair trading code of conduct that recognizes the need to protect jobs on both sides of the border.
2. The creation of a Federal-Provincial 'Secure Trade' program that would:
 - (a) monitor U.S. trade developments and assess their implications for Canada;

- (b) provide technical and financial assistance to Canadian companies confronted by U.S. protectionism; and
- (c) ensure Canada's views are adequately represented to U.S. officials.

For the longer-term Canada needs to pursue a different economic course than the one being set by the federal Conservatives. Instead of free trade, Canada needs an industrial strategy that, among other things,

- (a) recognizes as legitimate, regional economic concerns.
- (b) supports domestic industry, by creating an import substitution program to reduce certain job-intensive imports and by more effectively using Canadian public purchases.
- (c) introduces a program of domestic content legislation that forces multinationals selling in Canada to provide Canadians with a fair share of jobs.
- (d) builds and diversifies Canadian industries with domestic savings, and encourages domestic investment to reduce Canada's dependency on foreign investment.
- (e) expands and diversifies our trading links to reduce our dependency on the American market.
- (f) supports multilateral trade discussions which give substance to the principle of fair trade that was embodied in the original GATT.

The Liberal and Conservative members of the Committee in our view have done a grave disservice not only to the people of Ontario but to the country as a whole. Indeed, it is hard to believe that we all sat in the same rooms and listened to the same evidence and submissions, because the majority has ignored the recommendations of all the labour organizations and many of the industries that appeared before us.

The submissions the Committee received, whether from those in favour of free trade or from those opposed, contained a number of common themes. First, there are serious concerns regarding the costs and consequences of free trade. Second, as a country we simply do not know enough about the impact of free trade on various regions, sectors and communities. Third, there is clearly not a national consensus on the issue.

Instead of responding to these concerns, instead of saying clearly that the Prime Minister's initiative is premature, instead of saying that as a nation we require a solid consensus before proceeding, the Liberals and Conservatives on the Committee joined together to accept the agenda and schedule of the federal Conservatives.

In contrast, the New Democrat members of the Committee strongly object to the Prime Minister's decision to begin negotiations on a bilateral free trade agreement with the United States.

New Democrats have not been persuaded by those who argue in favour of free trade. The anticipated benefits they promise are abstract and their assurances are too vague.

At the same time, we are compelled to see the costs of free trade in terms of Canadian jobs and industries that will be lost, and in terms of the threat to our sovereignty and our identity.

During our hearings, the Committee received disturbing information about the vulnerability of Canadian jobs. We were told that many thousands of jobs are at risk--20,000 jobs in the textile and clothing industry, 10,000 jobs in household furniture, 45,000 jobs in the electrical sectors and over half of brewery jobs. We were told that various industries are threatened, among them trucking, fine paper and boxboard, food and beverages, and services. The federal Minister of International Trade, James Kelleher, has indicated that up to 7% of the labour force--some 900,000 workers--would be forced to undergo a 'transition.' And the Ontario Ministry of Industry, Trade and Technology revealed that 212 industries in Ontario and 270,000 workers could be affected.

The Committee further heard that under a free trade agreement there would be pressure to match the U.S. in such fields as taxation policies, labour laws, environmental regulations and private ownership of our forests. Witnesses expressed real fears that free trade could mean the end of many Canadian social programs, agricultural marketing boards, government procurement policies and regional development grants.

In this light, it is clear that free trade poses a severe threat to Canadian sovereignty.

New Democrats do not believe that Canadians will be better off by giving up the real jobs of today for the promise of jobs tomorrow, and we do not accept that our national interest in any way can be advanced by a commitment to continental economic integration.

We are convinced that the decision on free trade is a pre-emptive one, foreclosing now and in the future the chance for Canadians to chart an independent economic course.

After boxing themselves into the free trade corner, the Liberals and Conservatives have attempted to extricate themselves by naively setting imagined pre-conditions of a bilateral trade agreement.

The Liberal and Conservative members on the Committee are playing 'Let's Pretend.' They want to pretend that free trade is other than what it is, that somehow they can re-define it in their own terms and be rid of it.

The majority has said let's negotiate free trade with the U.S. but let's define free trade to mean that certain sectors, like auto and agriculture, will be non-negotiable.

In other words, they expect the U.S. to negotiate free trade when in advance of negotiations over half of Ontario's exports have been taken off the table.

Both the United States and Canada have indicated that such preconditions are not possible; that once we sit down everything is negotiable.

The only way to guarantee that our industries and jobs will not be traded off is by refusing at the outset to negotiate a bilateral free trade agreement.

Proponents of free trade have argued from two basic positions. Those industries, such as lumber and steel, which have had their exports threatened by U.S. protectionism want secure access to the U.S. market. They see in free trade a defence of the status quo.

Business associations and right-wing ideologues, on the other hand, want free trade as a means of ensuring our political economy is directed and disciplined by the market place.

But industries vulnerable to American protectionism have no guarantees under a bilateral free trade agreement. New Democrats understand and share the concern of those industries, but we are also aware that the protectionist threat to those industries stems from a variety of factors, including the strength of the U.S. dollar and the use of countervailing duties in the U.S. These are issues that a bilateral free trade agreement cannot resolve.

The latter position we simply disagree with. We see no advantage in surrendering our economy to the whims and wishes of the multinational corporations.

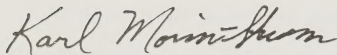
The Canadian economy remains seriously out of balance. We run large trading surpluses in raw materials and semi-finished commodities that deplete non-renewable resources while providing relatively few jobs. At the same time, we have a large deficit in high value-added products such as finished manufactured goods which are much more job intensive. The automotive industry is a major exception. There the Auto Pact has insured a fair trade of manufacturing jobs through its Canadian content requirements. The Americans don't want such Canadian content requirements under a free trade agreement.

Canada needs an industrial strategy that reduces our dependence on foreign ownership and the exploitation of our resources. Rather than trade liberalization, we should be aiming for greater self-reliance, by focusing on import replacement, greater Canadian content requirements, and putting more value-added in our resources by manufacturing finished products here in Canada.

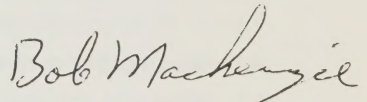
The real issue is jobs. Only through a coherent industrial strategy can we generate the new jobs that Canada needs. A bilateral free trade agreement with the U.S. is not a job strategy.

We hoped that the Committee would treat its mandate seriously, that it would carefully weigh the benefits and the costs of free trade, that it would carefully examine the options, and that it would explore the alternatives to free trade. We hoped that in so doing the Government of Ontario could provide national leadership on the issue of free trade.

Unfortunately, the ideological biases of our Liberal and Conservative colleagues have got in the way.

A handwritten signature in cursive script, reading "Karl Morin-Strom".

Karl Morin-Strom, MPP
Sault Ste. Marie

A handwritten signature in cursive script, reading "Bob Mackenzie".

Bob Mackenzie, MPP
Hamilton East

ISBN 0-7729-0920-2

